

## Health Spending Slowdown May Not Last, Brookings' Sheiner Finds

Slow spending growth attributed to economic downturn

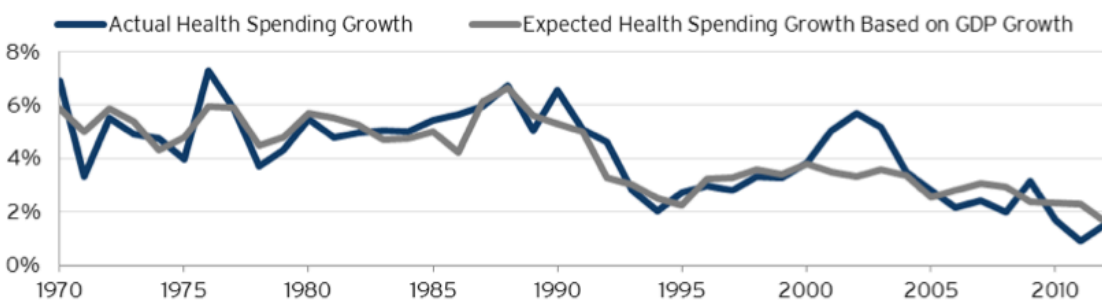
The recent dramatic decline in health spending growth is most likely the temporary result of the economic recession and shouldn't be taken as evidence that we have finally "bent the cost curve," according to a new working paper from the Hutchins Center on Fiscal and Monetary Policy at Brookings.

In "[Perspectives on Health Spending Growth](#)," Brookings Senior Fellow and Hutchins Center Policy Director Louise Sheiner argues that it would be premature to declare a turning point in health spending growth, even with recent health spending reports such as the one released by BEA last week showing that healthcare spending continues to grow slowly.

Sheiner demonstrates that changes in national health spending correspond with changes in the Gross Domestic Product (GDP), suggesting that, once the recovery is well underway, health spending growth will likely resume.

### Changes in GDP Can Explain Much of Recent Slowdown in National Health Spending

Predicted and Actual Real Per Capita Health Spending Growth



Source: Author's calculations

BROOKINGS 

However, she cautions that the same reasoning may not apply to different pieces of health spending. In particular, she notes that "While national health spending does appear to move with GDP, Medicare, Medicaid, and privately-financed health care do not move together," she writes. Sheiner points to a dramatic deceleration in Medicare spending growth – an even larger decline than national spending overall. The decline in Medicare spending growth cannot be explained econometrically by either economic factors or changes in the level of Medicare payments, meaning "we still don't fully understand why [Medicare] spending growth has declined so much," she finds.

Sheiner also highlights a considerable gain for healthcare consumers over the past several decades, noting that out-of-pocket expenses declined substantially as a share of GDP-- from 56 percent in 1960 to 14 percent in 2012. This trend can be attributed to the emergence of the Medicare and Medicaid programs, as well as to more generous coverage in private plans. Sheiner notes that, despite the recent increase in high-deductible plans, which might suggest out-of-pocket payments are now increasing, the Affordable Care Act's expansion of Medicaid and private insurance work in the other direction, lowering out-of-pocket payments nationally.

The paper concludes that there remains much uncertainty about the likely trajectory of future health spending. “Thus, we are left with the same set of unanswered questions that have been plaguing forecasters for decades: when and how will excess cost growth slow?” asks Sheiner.

To read the working paper visit: <http://www.brookings.edu/research/papers/2014/07/healthcare-spending-perspectives-sheiner>.

###

*The Hutchins Center on Fiscal & Monetary Policy at Brookings provides independent, non-partisan analysis of fiscal and monetary policy issues in order to further public understanding and to improve the quality and effectiveness of those policies.*